

**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 13 May 1978

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Late Item

PERU: Cabinet Reshuffle

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[ ] Peruvian President Morales Bermudez' replacement of three cabinet ministers yesterday appears directly related to efforts to solve the country's deepening economic crisis. The shuffle was announced following a meeting between the President and Peru's highest ranking military officers, who approved the changes.

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[ ] According to press reports, Finance Minister Saenz, Interior Minister Cisneros, and Industry, Commerce, and Tourism Minister Ibanez O'Brien were replaced. Saenz has been attacked as incompetent, while Cisneros and Ibanez O'Brien were persistent critics of the President's economic policies. A new head of the Central Bank will reportedly also be named.

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[ ] Morales Bermudez appointed two highly qualified civilians to the Finance and the Industry, Commerce, and Tourism posts. The new Finance Minister is Javier Silva Ruete, former Central Bank adviser and currently coordinator of the Andean Development Fund. The second portfolio will be held by Gabriel Lanatta, former chief executive of Industrial Bank.

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[ ] The shakeup gives Peru a new economic team and coincides with the return to Lima yesterday of Foreign Minister de la Puente, who has been in the US negotiating with the International Monetary Fund for desperately needed credits to offset Peru's burdensome debt payments. The changes, viewed in connection with new austerity measures announced Wednesday, are almost certain to be viewed as positive by both the IMF and the international banking community. [ ]

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USSR: Trial Dates for Dissidents

[ ] Soviet authorities have apparently set trial dates for prominent dissidents Yuriy Orlov and Aleksandr Ginzburg. Andrei Sakharov recently told the US Embassy that Orlov's trial would begin Monday. Soviet authorities apparently informed Ginzburg's wife that his trial will start on 3 June.

[ ] The Soviets arrested and imprisoned both men in February 1977. While Soviet officials have not formally revealed the specific charges against the dissidents, the authorities probably will charge that the two men violated the constitutional provision prohibiting anti-Soviet activities. These activities almost certainly will include Orlov's leadership of the "Helsinki Group" and Ginzburg's administration of the Solzhenitsyn Fund.

[ ] Orlov established the "Helsinki Group" to monitor Soviet compliance with the final accord signed at the Helsinki Conference. The Soviets have already tried and imprisoned many of Orlov's colleagues in this group. Solzhenitsyn established his fund to assist political prisoners and their families. The Soviets convicted one of Ginzburg's associates in April for his involvement with this activity.

[ ] Recent Soviet behavior on dissident activity suggests that the outlook for Ginzburg and Orlov is bleak. Even though their lawyers apparently intend to wage a spirited defense, nothing is likely to prevent convictions on all charges. Of the two, Ginzburg could fare worse since he has a previous "criminal" record. Although Soviet authorities are certainly aware of the adverse publicity the convictions will create abroad, they probably do not believe that either case will create foreign policy difficulties.

[ ] Soviet leaders are probably much less sanguine about the international ramifications of the trial of Anatoliy Shcharanskiy on a charge of treason. They have publicly floated charges of his links to the CIA, and his situation has received

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wide attention in the US Government.

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Soviet authorities have been cautious in handling the Shcharanskiy case. In spite of considerable haggling between the government and his family, Shcharanskiy still does not have legal counsel. This situation could change suddenly, but the authorities probably would give a newly appointed counsel at least a month to prepare a defense.

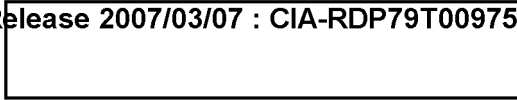
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Soviet intentions should become clearer by 15 June when the extended investigation phase of the Shcharanskiy case ends. The Soviet leaders probably will not allow the trial to proceed until they have decided how to handle the international implications it will raise. They may be weighing the option of expelling or exchanging Shcharanskiy following his conviction in the belief that such action would preserve the credibility of Soviet legal processes and yet avoid adverse international reaction.

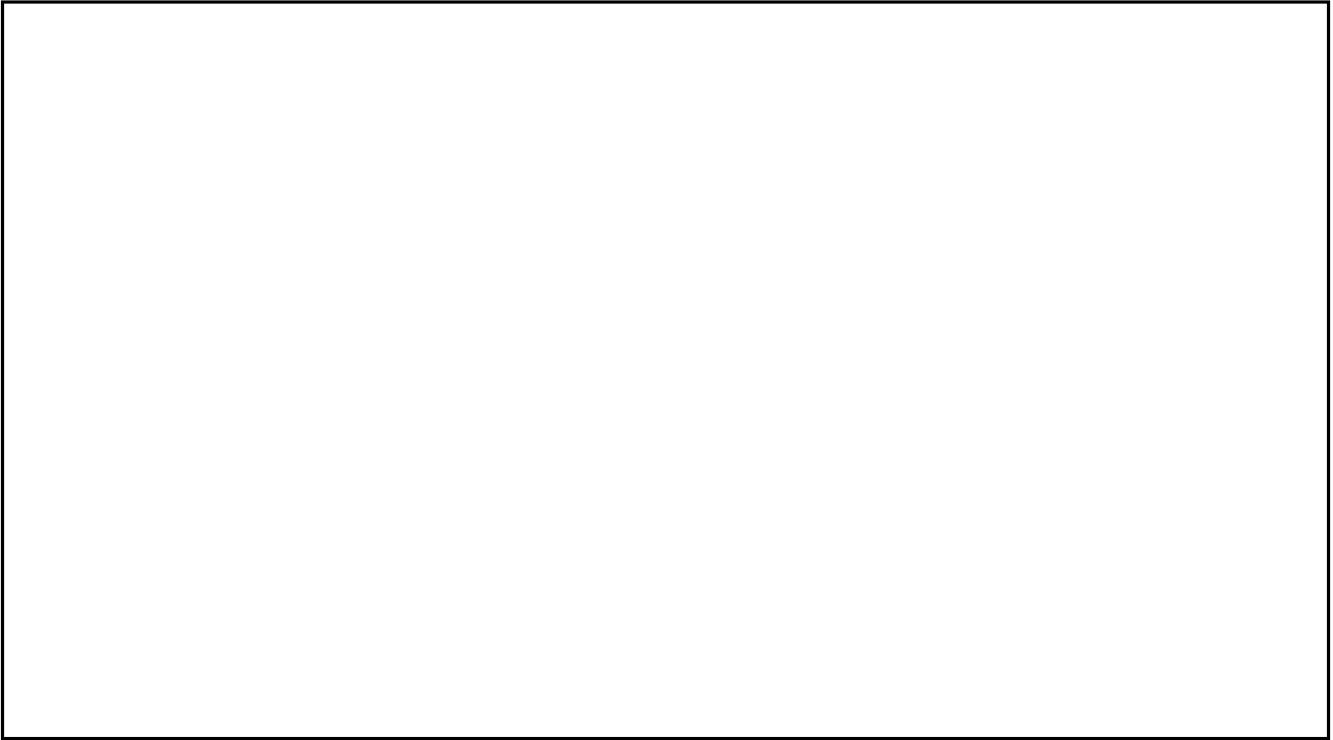
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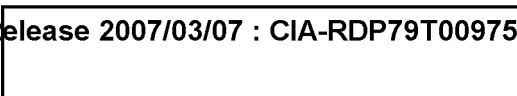
USSR-CHINA: Border Clash

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 *The Soviet news Agency TASS issued an admission yesterday that Soviet troops had inadvertently crossed the Chinese border on Tuesday but denied Chinese allegations that the incident was a "military provocation." TASS said the USSR had expressed regret to the Chinese; it is possible that Moscow has sent an official apology to Peking.*

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 According to the TASS account, Soviet border "seamen" entered Chinese territory on Monday night while searching for a "dangerous armed criminal" and left without delay when they discovered they were on the Chinese side of the border. The Soviets asserted that the force had taken no action against



Chinese citizens. The Chinese complained in their protest note on Thursday that Soviet troops had beaten and wounded several local inhabitants.

25X1 [ ] The Soviets seldom violate the Chinese border on the ground, and we have no information on the sequence of events that led to this intrusion. The rather lame Soviet explanation, however, suggests that Moscow recognizes that the Chinese have a strong case and wants the matter to pass with little controversy.

25X1 [ ] The Chinese probably will accept the Soviet expression of regret and not retaliate militarily. The Chinese probably will try to exploit the incident--particularly with third parties--to demonstrate Soviet belligerence in the Sino-Soviet dispute.

25X1 [ ] Yesterday's second plenary session of the Sino-Soviet border talks took place as scheduled, an indication that neither side wants to jeopardize the few state-to-state dealings that exist. According to press accounts, however, the meeting was marked by a heated exchange over the border incident. [ ]

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#### SPAIN: UDC Reorganization

25X1 [ ] *Spanish Prime Minister Suarez is belatedly taking steps to strengthen his disparate ruling party, the Union of the Democratic Center. The Prime Minister and his party have both slipped badly in public opinion polls, while the rival Socialists seem to be increasing in strength. With an election on the horizon, Suarez is making his move late in the game.*

25X1 [ ] Preoccupied with the task of pushing through a new constitution and bedeviled by persistent economic problems, Suarez had let his party drift since the parliamentary election



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[ ]

last June. His inaction may also reflect a reluctance to delegate power and perhaps a failure--stemming from his apprenticeship in the Franco regime--to grasp the need for a well-structured party.

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[ ] Goaded by the prospect of an election later this year, by continuing squabbling in the party, and by the recent merger of the Socialist Party with the smaller Popular Socialist Party, Suarez on Thursday appointed a new general coordinator for the Democratic Center and carried out a minor shuffle of its executive committee. The key task of directing the party's organization went to an untested 36-year-old politician and lawyer, Rafael Arias Salgado.

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[ ] At first glance, Arias Salgado's relative inexperience does not augur well for his ability to put the Democratic Center's house in order. He has a powerful patron, however, in Second Deputy Prime Minister Abril, who is probably Suarez' closest confidant. As a young social democrat, Arias Salgado is untainted by the ties to a Francoist past that could discredit many more senior candidates for the job. Moreover, his loyalty will be to Suarez, rather than to any of the powerful factions within the party.

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[ ] Suarez has left the secretary general slot unfilled; it has been vacant since the formation of the party a year ago. He may be holding the position in reserve should Arias Salgado prove unequal to his task, or Suarez may prefer to name a secretary general at the party congress, now expected to take place some time next month. [ ]

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## BRIEFS

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Nicaragua

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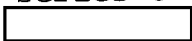
[redacted] According to press reports, Pedro Jose Chamorro--a prominent businessman and second cousin of slain opposition editor Pedro Joaquin Chamorro--was murdered early yesterday at his home outside Managua. The assassins have not been identified.

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[redacted] Although Pedro Jose Chamorro had apparently taken part in recent antigovernment disturbances, he was not nearly as prominent an opposition leader as his cousin. It is unlikely that the Somoza government had a hand in his death. The killing nevertheless could provide the catalyst sought by radical opposition leaders to break the uneasy calm and launch a new series of anti-Somoza demonstrations. [redacted]

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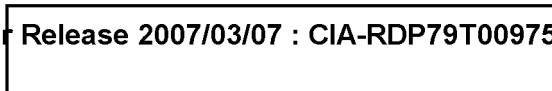


Guyana - North Korea

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[redacted] //Guyana reportedly is acquiring nine or 10 patrol boats from North Korea; the purchase apparently was arranged when Guyanese Prime Minister Burnham visited Pyongyang

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last month. This sale would be North Korea's first arms contract in Latin America and Guyana's first significant arms deal with a Communist supplier. [REDACTED]

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[REDACTED] //Guyana has been anxious to purchase patrol craft for use on the Corentyne River on the disputed border with Surinam. North Korea builds several different types of fast attack craft that could serve Guyana's purposes. [REDACTED]

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